

Auditing Procedures Report V1.04

Reset Form

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Arvon Township	County	BARAGA	Type	TOWNSHIP	MuniCode	07-1-010
Opinion Date-Use Calendar	Jul 31, 2008	Audit Submitted-Use Calendar	Aug 8, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?		
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?		
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?		
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts Issued by the Department of Treasury?		
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?		
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?		
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?		
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?		
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?		
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)		
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)		
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?		
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?	14. If not, what type of opinion is it?	NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?		
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?		
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?		
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?	<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 98,624.00
General Fund Expenditure:	\$ 78,110.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 110,213.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Bruce	Last Name	Rukkila	Ten Digit License Number			1101012440
CPA Street Address	310 Shelden Avenue	City	Houghton	State	49931	Zip Code	Telephone +1 (906) 482-6601
CPA Firm Name	Bruce Rukkila, CPA PC	Unit's Street Address	19270 Beesley Rd.	City	L'anse	LU Zip	49946

ARVON TOWNSHIP
BARAGA COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2008

ARVON TOWNSHIP

MARCH 31, 2008

ELECTED OFFICIALS

Supervisor	Michael Vizina
Clerk	Lisa Marinich
Treasurer	Kathy Drue
Trustee	James Soli
Trustee	Gail Hollon

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Bruce A Rukkila, CPA, PC



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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Arvon Township
Skaneec, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Arvon Township as of and for the year then ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Arvon Township as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Arvon Township has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements and have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

July 31, 2008

ARVON TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2008

ASSETS:		Governmental
		<u>Activities</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$	268,968
Receivables		19,223
Due from other governmental units		<u>2,204</u>
TOTAL CURRENT ASSETS		<u>290,395</u>
Capital assets		2,186,278
Less: accumulated depreciation		<u>(915,033)</u>
TOTAL NONCURRENT ASSETS		<u>1,271,245</u>
	TOTAL ASSETS	<u>\$ 1,561,640</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$	<u>5,860</u>
	TOTAL LIABILITIES	<u>5,860</u>
NET ASSETS:		
Invested in capital assets, net of related debt		1,271,245
Unreserved		<u>284,535</u>
TOTAL NET ASSETS		<u>1,555,780</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,561,640</u>

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
STATEMENT OF ACTIVITIES
March 31, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
Primary government:				
Government activities:				
General government	\$ 89,276	\$ 20,314	\$ -	\$ (68,962)
Public safety	23,955	-	-	(23,955)
Public works	64,892	-	-	(64,892)
Recreation and culture	209	-	-	(209)
Health and welfare	23,281	-	-	(23,281)
Total governmental activities	\$ 201,613	\$ 20,314	\$ -	(181,299)
General Revenues:				
Taxes				
Property taxes, levied for general operations				157,119
Other taxes				11,796
State revenue				33,684
Interest and investment earnings				5,560
Other				5,162
Total general revenues, transfers, and special items				213,321
Change in Net Assets				32,022
Net Assets - Beginning				1,523,758
Net Assets - Ending				\$ 1,555,780

The accompanying notes to financial statements are an integral part of this statement.

ARYON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2008

	<u>Major Funds</u>				
	General	Road	Fire	Non-major	
	Fund	Improvement	Fund	Funds	Total
	Fund	Fund	Fund	Funds	Total
ASSETS:					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 100,261	\$ 2,967	\$ 147,876	\$ 17,864	\$ 268,968
Taxes receivable	7,748	5,860	4,362	1,253	19,223
Due from governmental units	2,204	-	-	-	2,204
TOTAL CURRENT ASSETS	\$ 110,213	\$ 8,827	\$ 152,238	\$ 19,117	\$ 290,395
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	\$ -	\$ 5,860	\$ -	\$ -	\$ 5,860
TOTAL CURRENT LIABILITIES	-	5,860	-	-	5,860
FUND BALANCES:					
Unreserved	110,213	2,967	152,238	19,117	284,535
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,213	\$ 8,827	\$ 152,238	\$ 19,117	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>1,271,245</u>
Long-term liabilities, including bonds payable are not due and payable in the current period and	
Net assets of governmental activities	<u>\$ 1,555,780</u>

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2008

	<u>Major Funds</u>				
	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other Non-major</u>	
	<u>Fund</u>	<u>Improvement</u>	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
		<u>Fund</u>		<u>Funds</u>	
Revenues:					
Property taxes	\$ 31,728	\$ 63,227	\$ 48,531	\$ 13,633	\$ 157,119
Other taxes	8,534	1,665	1,282	315	11,796
State revenue	33,162	-	-	522	33,684
Charges for services	20,314	-	-	-	20,314
Interest	2,874	-	2,686	-	5,560
Other revenue	2,012	2,967	-	183	5,162
Total revenues	<u>98,624</u>	<u>67,859</u>	<u>52,499</u>	<u>14,653</u>	<u>233,635</u>
Expenditures:					
General government	77,559	-	124	-	77,683
Public safety	342	-	22,505	1,108	23,955
Public works	-	64,892	-	-	64,892
Recreation and culture	209	-	-	-	209
Health and welfare	-	-	14,516	8,765	23,281
Total expenditures	<u>78,110</u>	<u>64,892</u>	<u>37,145</u>	<u>9,873</u>	<u>190,020</u>
Excess (deficiency) of revenue over expenditures	<u>20,514</u>	<u>2,967</u>	<u>15,354</u>	<u>4,780</u>	<u>43,615</u>
Fund Balances - Beginning of Year	<u>89,699</u>	<u>-</u>	<u>136,884</u>	<u>14,337</u>	
Fund Balances - End of Year	<u>\$ 110,213</u>	<u>\$ 2,967</u>	<u>\$ 152,238</u>	<u>\$ 19,117</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents undepreciated net capital assets as of March 31, 2008.

(11,594)

Change in net assets of governmental activities

\$ 32,022

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2008

	<u>Fiduciary Funds</u>
ASSETS:	
Cash	<u>\$ 40,554</u>
 TOTAL ASSETS	 <u><u>\$ 40,554</u></u>
 LIABILITIES:	
Due to other governmental units	<u>\$ 40,554</u>
 TOTAL LIABILITIES	 <u><u>\$ 40,554</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Arvon Township is located in Baraga County, Michigan, and encompasses an area of 47.5 square miles. The Township operates under an elected Board of Trustees of five (5) members and provides services to a population of approximately 482 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of Arvon Township, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

Arvon Township is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. In accordance with NCGA Statements 3 and 7, control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements exclude fiduciary activities such as trust and agency funds. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined below. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Road Fund - The road fund is used to account for property taxes restricted for road repair and maintenance.

Fire Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

The following is a description of the non-major governmental funds of the Township:

Ambulance - The ambulance fund is used to account for property taxes restricted for providing ambulance services.

Liquor Fund - This fund accounts for all activity in connection with liquor law enforcement as required by the State of Michigan and is funded by the same.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The Current Tax Collection Fund accounts for collection and disbursement of property tax collections and is the only fiduciary fund.

Accrual Method - The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual Method - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Other Accounting Policies

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are collected twice a year. Bills are sent out July 1 and December 1. The Township collects its own property taxes until February 28, at which time collection is turned over to Baraga County for collection.

For the year ended March 31, 2008, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	.9304
Road	1.8528
Fire	1.4266
Ambulance	.4000

Receivables and Payables - All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements

Capital Assets - Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	10 years
Furniture and other equipment	5-10 years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at the regular March meeting.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General Fund and Special Revenue Funds.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund, fire protection fund, and road fund are noted in the required supplementary information section.

NOTE C - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$140,629 of the Township's bank balance of \$375,399 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township does business.

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 268,969	\$ 0	\$ 268,969
Restricted cash	0	40,554	40,554
Total cash and cash investments	<u>\$ 268,969</u>	<u>\$ 40,554</u>	<u>\$ 309,523</u>

NOTE D- RECEIVABLES

The detail of taxes receivables at March 31, 2008 that are expected to be collected within one year are as follows:

General	Road Improvement	Fire Protection	Ambulance	Total Primary Government
<u>\$ 7,748</u>	<u>\$ 5,860</u>	<u>\$ 4,362</u>	<u>\$ 1,253</u>	<u>\$ 19,223</u>

NOTE E- ACCOUNTS PAYABLE

Accounts payable as of March 31, 2008 for the Township were for the Road Fund in the amount of \$5,860.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE F - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance 04/01/07	Additions	Deletions	Balance 03/31/08
Capital assets being depreciated:				
Building and additions	\$ 780,400	\$ 0	\$ 0	\$ 780,400
Land	0	1,238,250	0	1,238,250
Equipment and machinery	167,628	0	0	167,628
Subtotal	948,028	1,238,250	0	2,186,278
Accumulated depreciation:				
Building and additions	769,348	2,866	0	772,214
Land	0	0	0	0
Equipment and machinery	134,091	8,728	0	142,819
Subtotal	903,439	11,594	0	915,033
Net capital assets being depreciated	44,589	1,249,844	0	1,271,245
Net capital assets	<u>\$ 44,589</u>	<u>\$ 1,249,844</u>	<u>\$ 0</u>	<u>\$ 1,271,245</u>

Depreciation expense was charged to governmental activities of the Township as follows:

General government	\$ 3,414
Fire protection	8,180
Total governmental activities	<u>\$ 11,594</u>

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Current property taxes	\$ 30,500	\$ 31,621	\$ 31,728	\$ 107
Other taxes	786	-	-	-
State revenue	33,000	33,162	33,162	-
Grant revenue	-	-	-	-
Charges for services	15,900	19,525	20,314	789
Interest	1,700	2,750	2,874	124
Other revenue	9,629	10,546	10,546	-
TOTAL REVENUE	91,515	97,604	98,624	1,020
EXPENDITURES:				
General government				
Township board	20,352	19,816	17,815	2,001
Township supervisor	5,000	5,000	5,000	-
Clerk	5,300	5,424	5,424	-
Treasurer	8,500	8,244	8,244	-
Town hall	13,560	14,695	14,695	-
Assessor	16,200	13,998	13,998	-
Board of Review	1,453	1,473	1,473	-
Elections	3,640	4,233	4,233	-
Zoning	5,220	5,587	5,587	-
Building and grounds	-	-	-	-
Cemetery	3,450	1,432	1,432	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation	1,184	209	209	-
TOTAL EXPENDITURES	83,859	80,111	78,110	2,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 7,656	\$ 17,493	20,514	\$ (981)
FUND BALANCE - BEGINNING OF YEAR			89,699	
FUND BALANCE - END OF YEAR			\$ 110,213	

ARVON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - ROAD IMPROVEMENT FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Current property taxes	\$ 58,000	\$ 63,119	\$ 63,227	\$ 108
Other taxes	1,700	1,665	1,665	-
Other revenue	2,995	2,967	2,967	-
TOTAL REVENUE	62,695	67,751	67,859	108
EXPENDITURES:				
General government				
Public safety	62,695	64,784	64,892	(108)
TOTAL EXPENDITURES	62,695	64,784	64,892	(108)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ 2,967	2,967	\$ 216
FUND BALANCE - BEGINNING OF YEAR			-	
FUND BALANCE - END OF YEAR			\$ 2,967	

ARVON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE PROTECTION FUND
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Current property taxes	\$ 44,800	\$ 48,392	\$ 48,531	\$ 139
Other taxes	1,309	1,282	1,282	-
Interest	2,100	2,447	2,686	239
TOTAL REVENUE	<u>48,209</u>	<u>52,121</u>	<u>52,499</u>	<u>378</u>
EXPENDITURES:				
General government				
Public safety	<u>28,303</u>	<u>37,145</u>	<u>37,145</u>	<u>-</u>
TOTAL EXPENDITURES	<u>28,303</u>	<u>37,145</u>	<u>37,145</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 19,906</u>	<u>\$ 14,976</u>	15,354	<u>\$ 378</u>
FUND BALANCE - BEGINNING OF YEAR			<u>136,884</u>	
FUND BALANCE - END OF YEAR			<u>\$ 152,238</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2008

	<u>2008</u>
REVENUES:	
Property tax	\$ 31,728
Other tax	8,534
State revenues	33,162
Interest	2,874
Rentals	600
Administration fees	20,314
Reimbursements	874
Miscellaneous	<u>538</u>
TOTAL REVENUES	<u>98,624</u>
EXPENDITURES:	
TOWNSHIP BOARD:	
Salaries	1,430
Fringe benefits	2,950
Supplies	5,866
Dues and memberships	525
Insurance	5,472
Printing and publications	318
Other service & support	<u>1,254</u>
Total township board	<u>17,815</u>
SUPERVISOR:	
Salaries	<u>5,000</u>
Total supervisor	<u>5,000</u>
CLERK:	
Salaries	5,000
Supplies	<u>424</u>
Total clerk	<u>5,424</u>
TREASURER:	
Salaries	7,000
Supplies	<u>1,244</u>
Total treasurer	<u>8,244</u>
TOWN HALL:	
Salaries	5,000
Supplies	1,081
Utilities	<u>8,132</u>
Total town hall	<u>14,213</u>

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
(Continued)
Year Ended March 31, 2008

	<u>2008</u>
ASSESSOR:	
Salaries	13,230
Supplies	637
Membership dues	<u>131</u>
Total assessor	<u>13,998</u>
BOARD OF REVIEW:	
Salaries	910
Membership dues	50
Printing and publications	443
Other service and support	<u>70</u>
Total board of review	<u>1,473</u>
ELECTIONS:	
Supplies	1,015
Contracted services	3,203
Travel expense	<u>15</u>
Total elections	<u>4,233</u>
ZONING:	
Salaries	320
Supplies	180
Membership dues	140
Dues and subscriptions	342
Other service and support	<u>5,087</u>
Total zoning	<u>6,069</u>
CEMETERY:	
Supplies	796
Other service and support	<u>636</u>
Total cemetery	<u>1,432</u>
PARKS & RECREATION:	
Utilities	109
Contracted services	<u>100</u>
Total parks and recreation	<u>209</u>
TOTAL EXPENDITURES	<u>78,110</u>
EXCESS REVENUES (EXPENDITURES)	<u>20,514</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>89,699</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 110,213</u>

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
March 31, 2008

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Total (Memorandum Only)
ASSETS:					
Cash	\$ 2,967	\$ 147,876	\$ 17,583	\$ 281	\$ 168,707
Taxes receivable	5,860	4,362	1,253	-	11,475
TOTAL ASSETS	\$ 8,827	\$ 152,238	\$ 18,836	\$ 281	\$ 180,182
LIABILITIES:					
Accounts payable	\$ 5,860	-	-	-	5,860
TOTAL LIABILITIES	5,860	-	-	-	5,860
FUND EQUITY:					
Fund balance	2,967	152,238	18,836	281	174,322
TOTAL LIABILITIES AND FUND EQUITY	\$ 8,827	\$ 152,238	\$ 18,836	\$ 281	\$ 180,182

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2008

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Total
REVENUES:					
Taxes	\$ 63,227	\$ 48,531	\$ 13,633	\$ -	\$ 125,391
Other taxes	1,665	1,282	315	-	3,262
State revenue	-	-	-	522	522
Interest	-	2,686	-	-	2,686
Miscellaneous	2,967	-	183	-	3,150
TOTAL REVENUES	67,859	52,499	14,131	522	135,011
EXPENDITURES:					
Salaries	-	-	-	498	498
Fringe benefits	-	-	-	38	38
Supplies	-	425	109	-	534
Utilities	-	6,004	162	-	6,166
Insurance	-	8,696	572	-	9,268
Equipment	-	6,672	-	-	6,672
Travel	-	437	-	-	437
Repairs and maintenance	-	124	-	-	124
Contracted services	64,892	14,516	8,074	-	87,482
Miscellaneous	-	271	420	-	691
TOTAL EXPENDITURES	64,892	37,145	9,337	536	111,910
EXCESS REVENUES (EXPENDITURES)	2,967	15,354	4,794	(14)	23,101
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	-	136,884	14,042	295	151,221
FUND BALANCE, END OF YEAR	\$ 2,967	\$ 152,238	\$ 18,836	\$ 281	\$ 174,322

ARVON TOWNSHIP
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2008

TAX COLLECTION FUND

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
ASSETS:				
Cash	\$ 3,767	\$ 2,364,452	\$ 2,327,665	\$ 40,554
TOTAL ASSETS	<u>\$ 3,767</u>	<u>\$ 2,364,452</u>	<u>\$ 2,327,665</u>	<u>\$ 40,554</u>
 LIABILITIES:				
Due to other governmental units	\$ 3,767	\$ 1,271,467	\$ 1,234,680	\$ 40,554
TOTAL LIABILITIES	<u>\$ 3,767</u>	<u>\$ 1,271,467</u>	<u>\$ 1,234,680</u>	<u>\$ 40,554</u>



Bruce A Rukkila, CPA, PC



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Arvon Township
Hancock, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arvon Township as of and for the year then ended March 31, 2008 which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2008-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented or detected by Arvon Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses costs as item 2008-1.

We noted certain matters that we reported to management of Arvon Township in a separate letter dated July 31, 2008.

Arvon Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Arvon Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

July 31, 2008

ARVON TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2008

2008-1 – Preparation of Financial Statements in Accordance with GAAP

Criteria: All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

Condition: As is the case with many small entities, the Arvon Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Arvon Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Arvon Township to perform this task internally.

Effect: As a result of this condition, the Arvon Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: Arvon Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township of Arvon to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.



Bruce A Rukkila, CPA, PC



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July 31, 2008

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the financial statements of the governmental activities and each major fund of Arvon Township for the year ended March 31, 2008, and have issued our report thereon dated July 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with US generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arvon Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by Arvon Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future event affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the current judgments. Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Arvon Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Arvon Township's Board and should not be used for any other purpose.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

Arvon Township
Comments and Recommendations
March 31, 2008

In planning and performing our audit of the financial statements of Arvon Township, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Arvon Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of opportunities for strengthening internal controls and operating efficiency. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any addition study of these matters, or to assist you in implementing the recommendations.

Preparation of Financial Statements in Accordance with GAAP

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting financial statements, including related footnotes.

As is the case with many small entities, Arvon Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, Arvon Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Arvon Township to perform this task internally.

As a result of this condition, Arvon Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Arvon Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of Arvon Township to out source this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This information is intended solely for the use of the Board of Directors of Arvon Township and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.